

disclose the itemization of the amount financed, which assists consumers in understanding whether they are being charged a prepaid finance charge or whether any of the proceeds are being distributed to third parties.

Finally, the complaint alleges that GE-SFA failed to identify the creditor in each transaction.

The consent agreement would prohibit GE-SFA from failing to accurately calculate and disclose the APR and any other terms required by the TILA.

The consent agreement includes a refund program requiring GE-SFA to make adjustments to the account of any consumer to whom it disclosed an APR or finance charge that was lower than the amount the consumer actually was required to pay.

The consent agreement would also require GE-SFA to maintain records of its compliance with the consent agreement, distribute copies of the agreement to its employees, and advise the Federal Trade Commission of any changes in its corporate structure.

The purpose of this analysis is to facilitate public comment on the proposed order, and it is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

**Donald S. Clark,**

*Secretary.*

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[File No. 932-3040]

**San Antonio Singles of Texas, Inc., et al.; Proposed Consent Agreement With Analysis To Aid Public Comment**

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed consent agreement.

**SUMMARY:** In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair methods of competition, this consent agreement, accepted subject to final Commission approval, would require, among other things, the video dating service franchises to properly and accurately disclose the annual percentage rate (APR) and other credit terms of financed memberships, as required by the federal Truth in Lending Act and would require the franchises to make refunds to consumers who were misled by the undisclosed finance charges and APRs.

**DATES:** Comments must be received on or before August 4, 1995.

**ADDRESSES:** Comments should be directed to: FTC/Office of the Secretary,

Room 159, 6th St. and Pa. Ave., NW., Washington, DC., 20580.

**FOR FURTHER INFORMATION CONTACT:** Stephen Cohen, FTC/S-4429, Washington, DC 20580. (202) 326-3222.

**SUPPLEMENTARY INFORMATION:** Pursuant to Section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46 and Section 2.34 of the Commission's Rules of Practice (16 CFR 2.34), notice is hereby given that the following consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of sixty (60) days. Public comment is invited. Such comments or views will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with Section 4.9(b)(6)(ii) of the Commission's Rules of Practice (16 CFR 4.9(b)(6)(ii)).

**Agreement Containing Consent Order To Cease and Desist**

In the Matter of San Antonio Singles of Texas, Inc., and Austin Singles of Texas, Inc., corporations; File No 932 3040.

The Federal Trade Commission having initiated an investigation of certain acts and practices of San Antonio Singles of Texas, Inc., and Austin Singles of Texas, Inc., corporations, (hereinafter sometimes referred to as proposed respondents) and it now appearing that proposed respondents are willing to enter into an agreement containing an order to cease and desist from the use of the acts and practices being investigated,

It is Hereby Agreed by and between proposed respondents, their attorney, and counsel for the Federal Trade Commission that:

1. San Antonio Singles of Texas, Inc., doing business as Great Expectations of San Antonio ("GE San Antonio"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX 77024, and its principal place of business located at 8131 I.H. 10 West, Suite 225, San Antonio, TX 78230.

2. Austin Singles of Texas, Inc., doing business as Great Expectations of Austin ("GE Austin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX 77024, and its principal place of business located at 9037 Research Blvd. Suite 130, Austin, TX 78758.

3. Proposed respondents admit all the jurisdictional facts set forth in the draft of complaint.

4. Proposed respondents waive:

- (a) Any further procedural steps;
- (b) The requirement that the

Commission's decision contain a statement of findings of fact and conclusions of law; and

(c) Any right to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.

5. This agreement shall not become a part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft of complaint contemplated thereby, will be placed on the public record for a period of sixty (60) days and information in respect thereto publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify proposed respondents, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision, in disposition of the proceeding.

6. This agreement is for settlement purposes only and does not constitute an admission by proposed respondents that the law has been violated as alleged in the draft of complaint, or that the facts alleged in the draft complaint, other than the jurisdictional facts, are true.

7. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of § 2.34 of the Commission's Rules, the Commission may, without further notice to proposed respondents, (1) issue its complaint corresponding in form and substance with the draft of complaint and its decision containing the following order to cease and desist in disposition of the proceeding, and (2) make information public in respect thereto. When so entered, the order to cease and desist shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Delivery by the U.S. Postal Service of the complaint and decision containing the agreed-to order to proposed respondents' address as stated in this agreement shall constitute service. Proposed respondents waive any right they may have to any other manner of service. The complaint may

be used in construing the terms of the order, and no agreement, understanding, representation, or interpretation not contained in the order or the agreement may be used to vary or contradict the terms of the order.

8. Proposed respondents have read the proposed complaint and order contemplated hereby. They understand that once the order has been issued, they will be required to file one or more compliance reports showing that they have fully complied with the order. Proposed respondents further understand that they may be liable for civil penalties in the amount provided by law for each violation of the order after its becomes final.

#### Order

##### I

It is Ordered that:

A. Respondents GE San Antonio, and GE Austin, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by Sections 107 (a) and (c) of the Truth in Lending Act ("TILA"), 15 U.S.C. §§ 1606 (a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondents GE San Antonio, and GE Austin, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the finance charge, as required by Section 106 of the TILA, 15 U.S.C. § 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d);

C. Respondents GE San Antonio, and GE Austin, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including from the itemization of the amount financed, as required by Section 128(b)(1) of the TILA, 15 U.S.C. § 1638(b)(1), and Section 226.17(a) of Regulation Z, 12 CFR 226.17(a);

D. Respondents GE San Antonio, and GE Austin, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by Sections 122 and 128(a) of the TILA, 15 U.S.C. §§ 1632 and 1638(a), and Sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

E. Respondents GE San Antonio, and GE Austin, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from:

1. Failing to include, in the finance charge and the annual percentage rate disclosed to the consumer, set-up or other fees that are charged only to consumers who finance the costs of their memberships, as required by Sections 106, 107, and 128 of the TILA, 15 U.S.C. §§ 1605, 1606, and 1638, and Sections 226.4(b), 226.22, and 226.18 (d) and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18 (d) and (e); and

2. Failing to exclude, from the amount financed disclosed to the consumer, set-up or other fees that are charged only to consumers who finance the costs of their memberships, as required by Section 128 of the Truth in Lending Act, 15 U.S.C. § 1638(a) and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b); and

F. Respondents GE San Antonio, and GE Austin, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. § 1601 *et seq.*, and Regulation Z, 12 CFR Part 226.

##### II

#### Refund Program

It is Further Ordered that:

A. Within thirty (30) days following the date of service of this order, respondents shall:

1. Determine to whom respondents disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more than one-quarter of one percentage point below the annual percentage rate determined in accordance with Section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that

was miscalculated by more than one dollar below the finance charge determined in accordance with Section 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one-quarter of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with Section 108(e) of the TILA, 15 U.S.C. § 1607(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments refunded, the amount of adjustment for future payments and the number of future payments to be adjusted.

B. No later than fifteen (15) days following the date of service of this order, respondents shall provide the Federal Trade Commission with the name and address of three independent accounting firms, with which they, their officers, employees, attorneys, and agents, have no business relationship. Staff for the Division of Credit Practices of the FTC shall then have the sole discretion to choose one of the firms ("independent agent") and so advise respondents;

C. Within thirty (30) days following the date of adjustments made pursuant to this section, respondents shall direct the independent agent to review a statistically-valid sample of refunds. Respondents shall provide the Federal Trade Commission with a certified letter from the independent agent confirming that respondents have complied with Part II. A. of this order;

D. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondents.

##### III

It is Further Ordered that respondents, their successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully their compliance with this order.

## IV

It is Further Ordered that respondents, their successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondents, their successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

## V

It is Further Ordered that respondents, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in their corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

## VI

It is Further Ordered that respondents shall, within one hundred and eighty (180) days of the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

**Attachment 1**

Dear Great Expectations Member:

We were recently notified by the Federal Trade Commission staff ("FTC") that we may have inadvertently miscalculated and/or improperly disclosed information in your Retail Installment Contract which the FTC believes is inconsistent with certain provisions of the Truth in Lending Act. After extensive investigation by us, along with conversations with the FTC, we have decided that it would be in the best interest of all parties to [refund] [credit to your account] the amount of \$ \_\_\_\_\_ which would cover any incorrect calculations. [Additionally, please be advised that your future monthly payments have been reduced to \$ \_\_\_\_\_ starting \_\_\_\_\_.]

We at Great Expectations are always interested in providing our members prompt professional services and are here to answer any questions you may have regarding this or any other matter.

Sincerely,

## Great Expectations

**Analysis of Proposed Consent Order To Aid Public Comment**

The Federal Trade Commission has accepted an agreement to a proposed consent order from respondents San Antonio Singles of Texas, Inc. ("GE San Antonio"), and Austin Singles of Texas, Inc. ("GE Austin").

The proposed consent order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed order.

The complaint alleges that GE San Antonio and GE Austin, creditors under the Truth in Lending Act ("TILA"), have violated the TILA and its implementing Regulation Z. Specifically, the TILA requires creditors to make clear and consistent disclosures of the credit terms in a financed transaction. These franchises failed to accurately calculate and disclose the annual percentage rate ("APR") and the finance charge, which resulted in some consumers paying more in interest charges and finance charges than the franchises disclosed. The complaint further alleges that this practice is unfair or deceptive in violation of the Federal Trade Commission Act.

Additionally, the complaint alleges that these franchises failed to accurately disclose the itemization of the amount financed, which assists consumers in understanding whether they are being charged a prepaid finance charge or whether any of the proceeds are being distributed to third parties, and have failed to separate the itemization from all other information provided in connection with the transaction. Also, these franchises failed to provide a descriptive explanation of the financing terms. For example, the named franchises failed to explain that the APR is "the cost of your credit as a yearly rate" and that the finance charge is "the dollar amount the credit will cost you." The named franchises also failed to provide a description of the amount financed, the total of payments, and the total sales price.

The complaint also alleges that the named franchises failed to include in the finance charge a set-up fee that each charged to its customers that financed the costs of their memberships, but did not charge to its customers that paid cash. The TILA requires that such charges be made part of the finance

charge. Instead, these franchises included the set-up fees in the amount financed, which resulted in the finance charge and the APR being underdisclosed.

Finally, the complaint alleges that the named franchises failed to identify the creditor in each transaction, and failed to provide the total sales price.

The consent agreement would prohibit the franchises named herein from failing to accurately calculate and disclose the APR and any other terms required by the TILA.

The consent agreement includes a refund program requiring the named franchises to make adjustments to the account of any consumer to whom they disclosed an APR or finance charge that was lower than the amount the consumer actually was required to pay.

The consent agreement would also require the named franchises to maintain records of their compliance with the consent agreement, distribute copies of the agreement to their employees, and advise the Federal Trade Commission of any changes in their corporate structure.

The purpose of this analysis is to facilitate public comment on the proposed order, and it is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

**Donald S. Clark,**

*Secretary.*

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[File No. 932 3040]

**Sterling Connections, Inc., et al.;  
Proposed Consent Agreement With  
Analysis To Aid Public Comment**

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed consent agreement.

**SUMMARY:** In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair methods of competition, this consent agreement, accepted subject to final Commission approval, would require, among other things, the video dating service franchises to properly and accurately disclose the annual percentage rate (APR) and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and would require the franchises to make refunds to consumers who were misled by the undisclosed finance charges and APRs.

**DATES:** Comments must be received on or before August 4, 1995.